

Fiscal Year 2017 Project 1 Annual Budget



Prepared 4/28/16

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Summary

The Project 1 Fiscal Year 2017 Annual Budget is prepared by Energy Northwest pursuant to the provisions and requirements of Board of Directors' Resolution No. 769, the Project Agreement and the Net Billing Agreements. The budget includes all costs associated with the project for Fiscal Year 2017 including reuse funding, fixed and variable costs, and treasury related expenses. In addition, the budget includes all funding requirements identified for the project for Fiscal Year 2017.

The total net cost for Fiscal Year 2017 is estimated to be \$29,734,000 (Table 1). Total Funding Requirements of \$68,351,000 (Table 5) less revenue from restoration/demolition and leasing totaling \$8,334,000 will be direct billed to Bonneville Power Administration. Bonneville Power Administration pays directly the funding requirements on a monthly basis under the provisions of the Direct Pay Agreements. This takes the net billing requirements to zero, for the statements which otherwise would be sent to participants in the project, and paid in accordance with the terms of the Net Billing Agreements. The Net Billing Agreements are still in place, but the direct cash payments from Bonneville Power Administration simply takes the participant payment amounts to zero. In the Direct Pay Agreements, Energy Northwest agreed to promptly bill each participant its share of the costs of the project under the Net Billing Agreements, if Bonneville fails to make a payment when due under the Direct Pay Agreements.

A comparison of the Fiscal Year 2017 budget is made to the original budget issued for Fiscal Year 2016.

Table 1
Summary of Costs
(Dollars in Thousands)

	FY 2017 Budget	Original FY 2016 Budget	Variance
Revenue			
Restoration / Demolition (1)	\$ 8,259	\$ 382	7,877
Fixed Costs	75	85	(10)
Total Revenue	\$ 8,334	\$ 467	\$ 7,867
Costs			
Site Costs			
Restoration / Demolition	\$ 8,259	\$ 382	7,877
Reuse	-	46	\$ (46)
Variable Costs	55	51	4
Fixed Costs	498	503	(5)
Subtotal Site Costs	\$ 8,812	\$ 982	\$ 7,830
Other			
Treasury Related Expenses	\$ 33,609	\$ 33,620	\$ (11)
Decommissioning	(4,353)	565	(4,918)
Subtotal Other Costs	\$ 29,256	\$ 34,185	\$ (4,929)
Total Costs	\$ 38,068	\$ 35,167	\$ 2,901
Total Net Costs	\$ 29,734	\$ 34,700	\$ (4,966)

(1) Restoration / Demolition receipts from the Bonneville Power Administration restoration trust fund will be used to offset all costs of this initiative.

Table 2
Treasury Related Expenses
(Dollars in Thousands)

<u>Description</u>	<u>FY 2017</u> <u>Budget</u>	<u>Original</u> <u>FY 2016</u> <u>Budget</u>	<u>Variance</u>
Interest Expense / Note (1)	\$ 43,578	\$ 44,004	\$ (426)
Amortized Financing Cost (2)	(10,330)	(10,719)	389
Investment Income (Rev. Fund) (3)	(16)	(16)	-
Treasury Services (4)	377	351	26
Total	<u>\$ 33,609</u>	<u>\$ 33,620</u>	<u>\$ (11)</u>

Assumptions

- (1) Budget assumes \$286.05 million of maturing principal will be extended in the Spring 2017. Interest on \$23 million Note included as part of the regional cooperation debt initiative.
- (2) The amortized financing costs are driven by the amortization of the premiums on bond issues.
- (3) Includes income on investment of monies held in the interest and principal accounts and the Reserve and Contingency Fund which are transferred periodically to the Revenue Fund. Investment income earnings rates are forecasted to average 0.40%.
- (4) Includes all non-interest costs of fixed rate debt, internal labor and overheads.

Table 3
Summary of Full Time Equivalent Positions *

<u>Description</u>	<u>FY 2017 Budget</u>	<u>FY 2016 Budget</u>	<u>Variance</u>
Restoration / Demolition	3	2	1
Site Support	3	3	-
Treasury	1	1	-
Total Positions	7	6	1

* Includes Allocations of Corporate Full Time Equivalent Positions

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Table 4
Cost-to-Cash Reconciliation
(Dollars in Thousands)

Description	FY 2017 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Req'ts	Prior Year's Commitments	FY 2017 Total Cash
Variable Costs	\$ 55	\$ -	\$ -	\$ -	\$ -	\$ 55
Restoration / Demolition (1)	8,259	-	-	-	-	8,259
Fixed Costs	498	-	-	-	-	498
Subtotal Site	\$ 8,812	\$ -	\$ -	\$ -	\$ -	\$ 8,812
Other						
Decommissioning	(\$4,353)	\$4,353	\$ -	\$ -	\$ -	\$ -
Treasury Related						
Interest Expense	43,348	-	-	-	-	43,348
Bond Retirement (2)	-	-	-	-	-	-
Interest on Note	230	-	-	-	-	230
Note Retirement	-	-	23,000	-	-	23,000
Amortized Cost	(10,330)	10,330	-	-	-	-
Invest. Income (Rev.)	(16)	-	-	-	-	(16)
Treasury Services	377	-	-	-	-	377
Prior Year's R&C Surplus (3)	-	-	(7,400)	-	-	(7,400)
Subtotal Treasury Expenses	\$ 33,609	\$ 10,330	\$ 15,600	\$ -	\$ -	\$ 59,539
Subtotal Other	\$ 29,256	\$ 14,683	\$ 15,600	\$ -	\$ -	\$ 59,539
Total Funding Requirements	\$ 38,068	\$ 14,683	\$ 15,600	\$ -	\$ -	\$ 68,351

(1) Funding will be from BPA Restoration Trust Fund

(2) It is assumed that \$286.05 million of the maturing 7/1/2017 bonds will be extended.

(3) The budget reflects R&C Fund for prior lien bonds only. Newer bond resolutions have eliminated R&C Fund requirements.

Table 5
Annual Budget and
Statement of Funding Requirements
(Dollars in Thousands)

<u>Description</u>	<u>FY 2017 Budget</u>	<u>Original FY 2016 Budget</u>	<u>Variance</u>
<u>Programs</u>			
Reuse	\$ -	\$ 46	(46)
Variable Costs	55	51	4
Restoration / Demolition	8,259	382	7,877
Fixed Costs	498	503	(5)
Subtotal Programs	\$ 8,812	\$ 982	\$ 7,830
<u>Treasury Related Expenses</u>			
Interest Expense	\$ 43,348	\$ 43,782	\$ (434)
Bond Retirement	-	25,065	(25,065)
Interest on Note	230	222	8
Note Retirement	23,000	-	23,000
Reserve & Contingency Fund	-	4,400	(4,400)
Investment Income (Revenue)	(16)	(16)	-
Prior Year's R&C Surplus	(7,400)	(293)	(7,107)
Treasury Services	377	351	26
Subtotal Treasury Related	\$ 59,539	\$ 73,511	\$ (13,972)
Total Funding Requirements	\$ 68,351	\$ 74,493	\$ (6,142)
<u>Funding Sources</u>			
Restoration / Demolition (1)	\$ 8,259	\$ 382	7,877
Revenue - Fixed Costs	75	85	(10)
Net Billing/BPA Direct Payments	60,017	74,026	(14,009)
Total Funding Sources	\$ 68,351	\$ 74,493	\$ (6,142)

(1) Restoration / Demolition receipts from the Bonneville Power Administration escrow account will be used to offset all costs of this initiative.

Table 6
Monthly Statement of Funding Requirements - Revenue Fund
(Dollars in Thousands)

Description	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY2017 Total
Beginning Balance	\$ 3,000	\$ 10,302	\$ 10,219	\$ 10,135	\$ 10,036	\$ 9,952	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
Receipts													
BPA Direct Payments (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,584	\$ 99	\$ 84	\$ 86	\$ 98	\$ 85	\$ 45,981	\$ 60,017
Restoration / Demolition (2)	688	688	688	688	688	688	688	688	688	688	688	688	8,259
Revenue - Leasing	7	7	6	6	6	6	6	6	6	6	7	6	75
Total Receipts	\$ 695	\$ 695	\$ 694	\$ 694	\$ 694	\$ 14,278	\$ 793	\$ 779	\$ 780	\$ 793	\$ 780	\$ 46,675	\$ 68,351
Disbursements													
Treasury Related Expenses													
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,450						\$ 22,898	\$ 43,348
Bond Retirement (3)	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on Note	19	19	19	19	19	20	19	19	19	19	19	20	230
Note Retirement	-	-	-	-	-	-	-	-	-	-	-	23,000	23,000
R&C Fund (4)	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment Income	(1)	(1)	(1)	(1)	(1)	(2)	(1)	(1)	(1)	(1)	(1)	(4)	(16)
Prior Years R & C Surplus	(7,400)	-	-	-	-	-	-	-	-	-	-	-	(7,400)
Treasury Services	41	26	26	41	26	27	41	27	27	41	27	27	377
Subtotal Treasury Related	\$ (7,341)	\$ 44	\$ 44	\$ 59	\$ 44	\$ 20,495	\$ 59	\$ 45	\$ 45	\$ 59	\$ 45	\$ 45,941	\$ 59,539
Variable Costs	4	5	4	5	4	5	4	4	5	4	5	4	55
Restoration / Demolition	688	688	688	688	688	688	688	688	688	688	688	688	8,259
Fixed Costs	42	41	42	41	42	41	42	41	42	41	42	42	498
Total Disbursements	\$ (6,607)	\$ 778	\$ 778	\$ 793	\$ 778	\$ 21,229	\$ 793	\$ 779	\$ 780	\$ 793	\$ 780	\$ 46,675	\$ 68,351
Ending Balance	\$ 10,302	\$ 10,219	\$ 10,135	\$ 10,036	\$ 9,952	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000

(1) BPA is billed, through the Direct Payment Agreements, one month in advance for the following month's expenses.

(2) Funding will be from BPA Restoration Trust Fund

(3) It is assumed that \$286.05 million of the maturing 7/1/2017 bonds will be extended.

(4) The budget reflects R&C Fund for prior lien bonds only. Newer bond resolutions have eliminated R&C Fund requirements.

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